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Viewing cable 07SANJOSE1106, COSTA RICA RECOGNIZES CHINA

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Reference ID	Created	Released	Classification	Origin
07SANJOSE1106	2007-06-08 22:38	2011-08-30 01:44	CONFIDENTIAL	Embassy San Jose

Appears in these articles:

<http://www.nacion.com/2011-03-10/Investigacion/NotasDestacadas/Investigacion2707705.aspx>
<http://www.nacion.com/2011-03-10/Investigacion/NotasSecundarias/Investigacion2707712.aspx>
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E.O. 12958: DECL: 06/07/2017

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SUBJECT: COSTA RICA RECOGNIZES CHINA

Classified By: ADCM Laurie Weitzenkorn per 1.4 (d).

¶11. (C) SUMMARY: On June 6, Costa Rica announced normalized relations with China, ending ties with Taiwan dating back to 1944. President Arias said the decision was based on "fundamental realism," and he expressed hope that informal relations could be retained with Taipei. The announcement capped months of secret negotiations, including a visit to Beijing by Foreign Minister Stagno and Treasury Minister Zuniga to sign an agreement on June 1. The Taiwanese Embassy here responded swiftly and negatively, lodging a strong protest and ending all assistance. Editorial and media coverage has emphasized the prospective trade benefits, recognized the long-term logic of improved ties with China, and defended the GOCR's "sovereign" decision, but criticized Arias and Stagno for "lying" to the media about the negotiations. Behind the scenes, GOC officials sympathetic to Taiwan or whose ministries depended on Taiwanese assistance, specially Minister of Public Security Berrocal, are very concerned about the short/no-notice (to them) decision and the way it was made. In our view, Arias's decision is consistent with foreign policy he outlines in his inaugural address; may help Costa Rica gain the UNSC seat it desperately wants for 2008-9, and was no doubt fueled by a large (USD 430 million) air package the GOCR could not refuse. The fact that a very small circle of senior officials around Arias were involved underscores that on major foreign policy issues, he continues to call the shots.
END SUMMARY.

RUSH ANNOUNCEMENT CAPS SECRET NEGOTIATIONS
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¶12. (U) In a press conference on June 6, President Oscar Arias announced that the GOCR had normalized relations with China, effective June 1. Arias said this "realignment" in diplomatic relations was not "ideological," but "an act of fundamental realism... (and) a wake-up call to the global context in which it is (Costa Rica's) turn to play a role." He added that "We have decided to normalize our ties with a country we can no longer ignore," joining the 168 other UN member nations which had already recognized China.

¶13. (U) Arias explained that the opening of relations had been finalized during a secret visit to Beijing by Foreign Minister Bruno Stagno and Finance Minister Guillermo Zuniga. The secrecy, he said, was required by the "transcendence" of the decision. The GOCR was as "transparent as the circumstances allowed," making public, for example, Stagno's meeting with counterpart Li Zhaoxing in Mexico City in May 2006, and Arias's own meeting with Li on the margins of the UNGA in New York last September. The President offered his "sincere" thanks to Taiwan for its generous assistance and support and noted that Costa Rica and Taiwan could maintain informal relations, despite the GOCR's decision. According to press reports, the Chinese moved quickly, dispatching three diplomats to San Jose from their embassy in Mexico on June 7.

¶14. (C) Originally set for June 7, the press conference was hastily moved up 24 hours in light of the briefing in Taipei which broke the news in public (Reftel). According to media reports (and confirmed by GOCR sources), Stagno officially informed the Taiwanese MFA in a call just two hours before the press conference. The media was quick to note that as recently as May 28 (just before his secret trip to Beijing), Stagno insisted to interviewers that he foresaw "no break" in relations with Taiwan.

¶15. (C) On May 31, when asked about the GOCR's controversial May 17 procedural vote against Taiwan in the WHO, MFA Deputy Director for External Politics Alejandro Solano gave Pol/C and PolOff no indication of a pending shift in relations, dismissing media reports of a possible break as speculation and acknowledging the importance of Taiwanese assistance to the GOCR. (Solano also told Poloffs that Stagno would miss

the opening of the Panama OASGA because of his opening a new consulate in Rivas, Nicaragua. Instead, Stagno was apparently on his way back from China that day.)

MONEY AND TRADE TRUMP FRIENDSHIP

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¶6. (C) The Taiwanese Embassy here responded swiftly and negatively. In press releases on June 6 and 7, the Embassy blamed Chinese "instigation" and "threats" for Costa Rica's sudden and "deeply unfriendly" move, which set aside "over 60 years of friendship" with Taiwan. As a result, Taiwan immediately severed diplomatic relations and ended all bilateral cooperation. (COMMENT: We understand that the GOT actually began freezing Costa Rican accounts two weeks ago, as the GOCR's intent to recognize China became more evident to Taiwan. END COMMENT.) Of note, the large PRC aid package (USD 430 million, as denounced by FM Huang in Taipei, Reftel) has not generated much media coverage and Arias did not highlight the Chinese assistance in his press conference. On June 7, although pressed by the media, Stagno refused to "speculate" about rumored "astronomical sums" of Chinese assistance in exchange for recognition.

¶7. (U) The media has been quick to emphasize Taiwan's considerable past assistance to Costa Rica, totaling USD 8 million during the Arias administration alone for items such as outboard motors for the Coast Guard; uniforms, ballistic vests and equipment for the tourist police; and a fleet of new pick-ups and motorcycles for the regular police. Media also noted large-scale infrastructure projects, such as the USD 27 million Friendship Bridge spanning the Tempisque River in Guanacaste. During the Pacheco administration (and into the first months of the Arias administration), Taiwan even paid salary stipends to some MFA employees (a practice stopped in 2006 by Stagno).

¶8. (U) Local media also reported that nearly USD 70 million in future or on-going assistance projects were now at risk, including for the San Carlos-Naranjo highway, the Calderon Guardia Hospital and another USD 3 million in aid for the police, unless Beijing or other donors take Taiwan's place. On the other hand, political and media commentators noted the huge Chinese market, stressing that China is already Costa Rica's second largest trading partner after the U.S., and predicting that normalized relations should increase these commercial ties. President Arias told AFP that he hopes to visit China after the October CAFTA referendum. (COMMENT: China is Costa Rica's second largest trading partner, thanks to Intel's computer chips exports to Hong Kong. Some of these, ironically, are bound ultimately for Taiwan. END COMMENT.)

DECISION-MAKING STYLE DRAWS CRITICISM

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¶9. (SBU) Editorial and media coverage has recognized the long-term logic of improved ties with China and defended Costa Rica's "sovereign" and "visionary" decision, but also criticized Arias and Stagno for "lying" about the negotiations. In response, Stagno insists that the two meetings with Li in 2006 were "clear signals" of an impending change in relationship. Diplomatic contacts here have been critical of how the decision and announcement were handled, reminiscent of the sudden and clumsy way the GOCR announced in August 2006 that its embassy in Israel would be moved from Jerusalem to Tel Aviv. Conservative politicians, such as ML party's Otto Guevara, the PUSC party's Lorena Vasquez and the PUN party's Jose Manuel Echandi have all made comments or issued statements deplored Arias's decision to cut ties with a "democracy" in favor of "despots." Ironically, Arias critics Otton Solis (PAC Party) and Jose merino (AF Party) found themselves applauding the decision.

¶10. (C) Behind the scenes, we understand that GOCR officials sympathetic to Taiwan or whose ministries depended on Taiwanese assistance are very concerned about the short/no-notice (to them) decision and the way it was made.

Minister of Public Security Fernando Berrocal, ex-Minister of Production Alfredo Volio and Intelligence Service Director Roberto Solorzano have been the most vocal, in private. Berrocal was completely blind-sided, and worries now about the lost security assistance from Taiwan. Even the President's brother, Minister of Government Rodrigo Arias, seemed to have been uncharacteristically out-of-the-loop regarding the Taiwan-China decision.

¶11. (C) A wider circle of political players was apparently aware of the decision, even if key ministers were not. PLN General Secretary Rene Castro told us of a "heated" debate within the party leadership on when to announce the China decision. The goal, he said, was to let any political fallout dissipate well before the referendum is launched. (COMMENT: Thanks to the Electoral Tribunal's decision to postpone the referendum and its official launch by a few weeks, the GOCR and PLN seem to have achieved this objective. END COMMENT.) The fact that leftists critics like Merino and Solis would have to support the GOCR's decision was an added political benefit, Castro said.

COMMENT

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¶12. (C) We attribute Arias's decision to recognize China to three ingredients. First, it is wholly consistent with his "politically-correct" and somewhat legalistic world view. It is also consistent with the foreign policy he outlined in his 2006 inaugural address, based on the "founding principles" of the UN Charter (which translated in this case, means not going against the majority UN view on China). Arias may have also taken some pride in making Costa Rica the first country in Central America to recognize China. Second, also UN-related, is the Arias's administration's almost obsession with gaining a rotational UNSC seat for 2008-9. (According to the MFA Solano, Costa Rica has support from "all the major" UN members in Asia, implying that a deal may have been struck already). Third, the USD 430 million aid package was no doubt and offer the GOCR could not refuse, not to mention improved trade with and investment from one of the world's largest economies. According to a former PUSC party legislator with close ties to the GOCR, Taiwan's reluctance to shift to more direct investment instead of grants was the deciding factor which moved Arias to his decision. The fact that a very small circle of senior officials around Arias were involved underscores that on major foreign policy issues, Arias continues to call the shots, and that he continues to envision Costa Rica playing a much larger-than-life role on the world stage.

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